

COMMENTS RECEIVED Regarding the Draft IGA Terms Sheet

Last updated September 8, 2004

Comments and Questions submitted by members of the public are reproduced in their original form without substantive edits. Questions submitted are to be treated as recommendations for consideration by the Boards of Directors and Supervisors, and therefore will not be accompanied by answers in this document. The issues raised will be addressed at subsequent Transition Public Forum Meetings. See the MIHS2District web site (www.maricopa.gov/mihs2district) for further information.

The Transition Team wishes to thank everyone who submitted comments.

Comments submitted by:

Howard Dendurent
Gilbert, Arizona
August 25, 2004

Policy Items

Other Operational Restrictions – I find the Other Operational Restrictions extremely offensive and insulting both to the voters of Maricopa County and to the Special Health Care District Board to be elected by the voters in November. The authors of the restrictions have an erroneous presumption that Maricopa County voters intentionally will elect a District Board that will intentionally violate the law. While, admittedly, a number of elected officials in Arizona have been accused, indicted, or even convicted of malfeasance in office, the legal principle of being innocent until proven guilty is still in effect.

Further, the restrictions attempt to impose more stringent and different requirements regarding abortions than is required by current Federal and State law. I note that current law could be changed in any number of ways, and this restriction could very well put the District Board in an impossible position of attempting to abide by this restriction and various Federal and State laws. This is unconscionable.

I also think it is ludicrous for the elected County Board to attempt to make policy for the elected District Board, especially when both groups are elected by the same set of voters.

If, in fact, the District Board intends to ignore or violate the law, this restriction would not prevent or inhibit them. The proper mechanism to prevent and punish illegal actions is in the law enforcement agencies who investigate possible wrong-doing, the State and County prosecutors who determine whether to bring

the alleged wrong-doing before the courts, and the courts who determine whether an illegal action has been committed and the appropriate punishment.

Health Care Plans – I think that Maricopa County has proven over the past number of years that providing integrated health care by attempting to merge health care with health insurance plans is a losing proposition in a number of different ways. County officials even admit that they haven't got a clue about the status of claims. The skills associated with providing an insurance plan and processing claims are entirely different from those skills required to treat illnesses and accidents, and to successfully carry out surgical procedures. For example, I am not aware of any major insurance company (Blue Cross, State Farm) that attempts to provide health and long-term care insurance at the same time that they manage a health care system. The two roles are different and almost antagonistic to each other. Certainly, the attempts by insurance companies to hold down costs conflict with the desires of health care professionals to provide the best possible care regardless of the costs.

I think Maricopa County should do as the Federal government does – contract with an insurance or other specialized company to provide claims review and payment. The County should continue to collect health insurance fees. The County should also contract with the Special Health Care District to provide health care services to those covered by the insurance plans, and include provisions in the health insurance plans that provide financial disincentives to the use of other health care providers.

Disproportionate Share Payments (DSH) – I think the way these Federal funds are handled by the various States, including Arizona, is truly abominable. However, I also agree that the system is in place and that neither the County nor the Special Health Care District should attempt to take advantage of the other with regard to DSH. Other venues (Congress and the Arizona State Legislature) are the appropriate place to correct the abominations of DSH.

Conflicts of Interest – Both the County Board of Supervisors and the County Treasurer are put in a position of unavoidable and untenable conflicts of interest in this agreement – attempting to represent the best interests of both parties to the agreement (the County and the District). The County Board will be removed from this situation with the election of the Special Health Care District Board in November. I think the District Board should be able to designate a Treasurer other than the County Treasurer to remove the possible conflict of interest.

Technical Items

Authority – The agreement should specify the legal authorities under which the County and the Special Health Care District can enter into this agreement. I presume that such authority exists for each of the parties.

Definitions – The agreement should define the acronyms by spelling them out the first time followed by the acronym in parenthesis. The agreement should include a section defining other terms used.

Sunset – Inasmuch as the current County Board of Supervisors is making this agreement on behalf of both parties, the agreement should include a sunset provision (perhaps in two years) to allow this agreement to be truly negotiated instead of just being foisted on the Special Health Care District to be elected in November by the current County Board.

Comments submitted by:

Bil Bruno
Chandler, Arizona
August 30, 2004

Thanks for posting and distributing the Draft outline of the Master IGA. It's noted that you will be putting the responses on the website, but in the interest of time I am sending a copy to some of the other interested candidates.

Item:

4.c & 4.d - Timing of transfer of plans. The agreement calls for a meeting between the County and District to determine if conditions necessary to permit the transfer have been satisfied. I would like the IGA to establish a process for monthly meetings with representatives of the County, District and the Director of the Health Plans. It should require full disclosure of the financial results as well as progress reports on all the conditions which are presently holding up the transfers. The two entities could also report on any concerns or health plan issues that affected their individual business operations. As far as the meeting(s) required by the draft IGA, I would like to see those held quarterly throughout the year instead of "no later than December 31, 2005".

5.a & 5.b - Allocation of Liabilities. [5.a] What is the difference between the way these two items are written? The County is responsible for various items that "accrue" prior to the Transfer Date but the District is responsible for "occur and accrue" on and after the Transfer Date. Why isn't the County responsible for Breach's that "occur" prior to the Transfer Date?

[5.b] Why is the District responsible for all liabilities ... that "accrue" on and after the Transfer Date, instead of being responsible only for those that "occur and accrue"? What is the difference? Lets say the County built a structure in the 1990's that was in violation of some zoning law. The District takes it over an later

-after the Transfer Date- it is found to be a violation and ordered to be moved, remodeled or demolished. Is the liability for this to the County or the District?

5.c. - Environmental Risk. If the District is only leasing MMC and other encumbered properties, why should it be responsible for environmental remediation costs for prior damage to leased property, which is discovered after the Transfer Date?

When will the actual "reasonable and customary representation and warranty" wording be available for review? Does the same stipulation and wording apply to both the purchased property and the leased property? What is the estimated cost of the Phase I assessments? If the District is going to take over responsibility for undiscovered environmental damage, perhaps we should require a Phase II assessment. How does the County feel about Phase II?

What is the asbestos situation at the various properties? Is there a comprehensive report including projected abatement costs, schedules and reports of completed efforts available for public review? How do we obtain a copy or summary?

8. Purchased Services/ Employee Benefits. As I complained in the public forum, the 5% County administrative fee for passing through the employee benefit premiums to the District is exorbitant. The monthly employee group health premiums are in excess of \$1,000,000 per month. Please advise what administrative services the County is providing beyond photocopying and faxing the bill that are worth \$50,000 per month.

8. Purchased Services/ Risk Management. The chart shows MIHS 04/05 budget at \$7,218,071. Since the health plans are not going to be transferred to the District until later, will this District portion be reduced accordingly?

8. Purchased Services / County Counsel. What is the actual rate projected for Counsel services? If it is a flat charge, I would prefer an hourly rate for each type of service. Why should we pay the County a 5% administrative fee if the District procures it's own outside counsel?

There are a lot of very helpful provisions, i.e. the working capital loans and others, in the IGA draft, but we have such little time, it does not seem prudent to comment on everything other than to let the County know I appreciate them.

Comments submitted by:

Bil Bruno
Chandler, Arizona
August 30, 2004

Good Morning, during the Public Meeting last week, I believe Mr Smith mentioned the name of a law firm that was assisting with the IGA. It was not one familiar to me- perhaps brought on by FRG. We have also been advised that Mr Sims and Mr Hess are representing the District in these negotiations. Is some or all of the correspondence between that law firm, Bill Sims, Jack Hess and the County available to the public?

If so, how can we review it? If there is a lot of correspondence and notes, perhaps you can set up a time that the public can come down to MMC or Mr. Sims' office and review it there. If all of this or some of the documents are protected from the public, please advise the specific reason(s) why.
Thanks,
Bil

Comments submitted by:

Bil Bruno
Chandler, Arizona
August 31, 2004

Here are some more questions on the proposed IGA:
Item 2. Disproportionate Share Payments- I understand why the County needs to protect itself in the event of a "DSH Triggering Event" as defined in the IGA. If these provisions are included in the permanent IGA, how will they impact the District's future rating with the financial markets? In other words, could this mean the District might have to pay a higher interest rate on any bonds or loans? Is there a legal opinion from any bond counsel on this issue?
Is there any situation in which DSH Triggering Event (as defined by the IGA) occurs, but the District did not receive the DSH funds?
Item 3.b. Deed Restriction- Failure to operate the Medical Center for "county hospital purposes" could trigger a breach of the lease. "County hospital purposes" is defined to include support for the Arizona State Hospital. Please advise specifically what "support for the Arizona State Hospital" means?
Thanks,
Bil

Comments submitted by:

Bil Bruno
Chandler, Arizona
September 1, 2004

At the August 24th Public Forum we were advised that the IGA was scheduled for a September vote by the County Board of Supervisors and then be approved by the same Supervisors sitting as the Board of the Special Healthcare District. This seems to be in conflict with the very first of the SCHD Transition Guiding Principles: "Transaction must be fair to both County and District - Board of Supervisors, serving in dual capacities, should formulate and draft key transition agreements, but not approve on behalf of the District". Is the Board of Supervisors changing it's Transition Guiding Principles or will the approval be postponed until the new District Board is seated?

Thanks,
Bil

Comments submitted by:

Bil Bruno
Chandler, Arizona
September 2, 2004

The posting notices for the previously held Public Forums have listed the time as 6:00pm to 7:30pm. In view of the complex issues and lengthy documents we will be discussing, I recommend that no end time be posted for the 9/21/04 meeting, scheduled to held at MMC.

Please advise when the complete draft of the IGA will be available for review.

Will this document be posted on the transition website?

Please advise when the complete drafts of the leases will be available for review.

Will they be posted on the website?

Thanks,
Bil

Comments submitted by:

Bil Bruno
Chandler, Arizona
September 3, 2004

Please advise specifically what (if any) fees for independent legal counsel or FRG & other consultants have been charged to the Special Healthcare District or charged to MIHS. It would be helpful if you would post those charges along with the detail each month on the Transition Website.

Thank you,
Bil

Comments submitted by:

Bil Bruno
Chandler, Arizona
September 5, 2004

RE: Bad Debt What happens to old Accounts Receivables that have been written off due to aging if they are then paid after 1/1/05? Does the payment go to the County or the District?
Thanks,
Bil

Comments submitted by:

Susan D. Noack
Scottsdale, Arizona
September 7, 2004

Please consider the following comments regarding the draft "Maricopa County – Maricopa County Special Health Care District Terms of Master IGA" document: First: under the previously published "SHCD Transition Guiding Principles" document, the primary concept for the "transaction to be fair to both County and District" is to empower the existing Board of Supervisors formulate and draft key transition agreements, but specifically are NOT empowered to approve on behalf of the new District. Specifically, these guiding principles call for the New District Board to approve any key agreements. As such, there should not be a stated "goal" to approve the Master IGA in September 2004 (as presented in the August 24 Public Forum update). As the New District Board of Directors will not be elected until the November election process has concluded, it is inappropriate and unacceptable for the current Board of Supervisors to participate in, nor to set expectations for, any type of approval of the Master IGA. No action should be taken on the Master IGA, prior to the new District board having the ability to review, amend, and to subsequently obtain additional public input to this agreement.

Second: per paragraph 3.c.ii. "Other Operational Restrictions" of the Master IGA, the County Board of Supervisors is attempting to exert control on medical services performed, which is not within it's purview of authority. Currently, state law restricts the use of state funds for abortion procedures, and allows hospitals to refuse admittance to patients for these services. These procedures are already restricted at the medical center, yet by drafting specific prohibiting language into

a document designed to convey title to property is an egregious deception of the public's trust, and demonstrates a lack of respect for the soon-to-be elected Health District board. The draft IGA agreement encompasses financial and leasehold requirements for the new district, it should not be utilized to further the political agenda of some current supervisors and as such, this "operational restriction" clause (the only one in reference to any type of medical services, with the exception of meeting DSH requirements) should be stricken from the Master IGA.

Third: The restriction of public comment to the Master IGA, to a mere two week period, which encompassed a holiday weekend, can only be construed to restrict the community's input, and worse yet, seems to confirm the propensity of the current Board of Supervisor's to close the document without proper dialogue. I hope to hear a response from the MIHS transition team to these issues.

Respectfully submitted,
Susan D. Noack

Comments submitted by:

Knox Kimberly
Phoenix, Arizona
September 7, 2004

On behalf of the Arizona Chapter of the Long-Term Care Pharmacy Alliance ("LTCPA"), we are writing to offer comment on the "Terms of Master IGA" document released for public comment on Tuesday, August 24 (the "IGA Term Sheet").

The LTCPA supports the inclusion of Paragraph 9 of the IGA Term Sheet, pertaining to policy compliance, and in particular, the adoption on behalf of the District of the existing County policy governing the operation of the Arizona Institutional Pharmacy ("AIP").

In the interest of brevity, we will not repeat in this message the detailed rationale as to why LTCPA supported and continues to support the policy as adopted by the Board of Supervisors earlier this year, other than to restate our belief that private sector pharmacy operations should not face competition from taxpayer-subsidized public pharmacy operations, and can provide long-term care pharmacy services more effectively and efficiently.

We believe the justification for the current policy remains as valid today as was the case when the policy was adopted earlier this year, and will remain valid

when AIP is transferred to the District, and as the District commences operations under a separately elected Board of Directors.

We welcome the opportunity to respond to any comments you may receive than run counter to our own, or to respond to any questions relating to the policy and its purpose.

We wish the County and District well in the efforts to achieve a successful transition, and renew our client's earlier offer to assist with respect to pharmacy issues within the context of that transition.

Thank you for the opportunity to comment.
Knox Kimberly
TRIADVOCATES LLC

Comments submitted by:

John Rivers
Phoenix, Arizona
September 7, 2004

The Arizona Hospital and Healthcare Association (AzHHA) appreciates the time and effort the Maricopa County Board of Supervisors has taken to address the transition of the Maricopa Integrated Health System (MIHS) to the new Maricopa County Special Health Care District with the public. As one of the primary supporters of Proposition 414, which established the new District, AzHHA shares the Supervisors interest in a successful transition. Accordingly, we are providing the following comments as the Supervisors move toward finalizing the master intergovernmental agreement (IGA) between Maricopa County and the Maricopa County Special Health Care District.

We understand that it is important for the County to address the issue of disproportionate share hospital (DSH) payments between the state, county and special health care district in the IGA. In fact, this is the only issue that gives rise to the necessity of adopting an IGA. As a result, we do not understand why the County Board of Supervisors has included in the term sheet of the master IGA deed and lease restrictions on the Special Health Care District that prohibit abortions at any facility under the jurisdiction of the District except when an abortion is necessary to save the life of a woman.

It is our understanding that MIHS is ***not*** in the business of performing abortions; however, abortion-related training is a necessary component of Maricopa Medical Center's graduate medical education program. We are concerned that the proposed deed restriction jeopardizes the accreditation of the graduate medical education program at Maricopa Medical Center. This policy decision

conflicts with both the requirement of the Medical Center to continue its graduate medical education program and the District's statutory obligation of providing healthcare services at the same level at which they were provided as of January 1, 2003 (A.R.S. Section 48-5541.01).

In addition, while we recognize the urgency to move forward with an IGA that protects the flow of DSH payments, we fail to understand either the relationship between the deed restriction and an IGA that protects DSH or the need to establish the proposed deed restriction at this time. We do not believe the decision to include the deed restriction at this time is in the best interests of patients, Maricopa Medical Center's graduate medical education program or the new District.

Finally, the current proposal also raises concerns with respect to a potential conflict of interest. While House Bill 2530 requires the County Board of Supervisors to also serve as the board of directors for the new Special Health Care District until a new board of directors is elected this November, there is no need to address the issue of deed restrictions until the new District's board is elected. Accordingly, we urge the Maricopa County Board of Supervisors to delay the adoption of the proposed IGA provisions relating to abortions until voters have elected the new District board who can independently represent the District's position in this matter. We believe all policy matters, other than the DSH issue, should be properly addressed by the County and the District, through their separate governing bodies.

A year has passed since the voters of Maricopa County passed Proposition 414. In that time, the Supervisors and their staff have committed substantial time and resources to ensure a successful transition of MIHS and we commend them for their work. As the transition gets closer to a reality, we hope the County will continue to seek input from the public and address policies that fairly serve the interests of the County, the new Maricopa County Special Health Care District, and most importantly, the patients served by the Medical Center. Thank you for your time.

John R. Rivers, FACHE
President and Chief Executive Officer
Arizona Hospital and Healthcare Association

End